Greencape Capital ESG Policy

June 2020

Greencape became a Signatory to the UN Principles of Responsible Investment in 2009.

Greencape believes environmental, social and governance (ESG) factors are key elements of long-term value and have the potential to impact both the risk and return profile of a company. Greencape's role as an active investor is to maximize shareholder value for its clients. However, in doing so, Greencape must investigate and understand each company's risks and opportunities—including those relating to ESG factors. Greencape's research efforts are firmly focussed on the sustainability of a business and the implications of this and its impact on valuation.

Greencape's investment team has fully integrated ESG into its research process, including voting proxies.

At Greencape each member of the investment team has the flexibility and resources needed to incorporate ESG factors in the way most consistent with promoting long-term financial sustainability.

While ESG implementation will vary based on the investment team's judgment of materiality, Greencape is committed to unwavering stewardship of long-term capital.

Greencape believes its role as thoughtful stewards of client capital and its focus on business sustainability creates strong alignment of values.

1. ESG Integration

Stock Rating
Driven by disciplined investment process

Business Evaluation

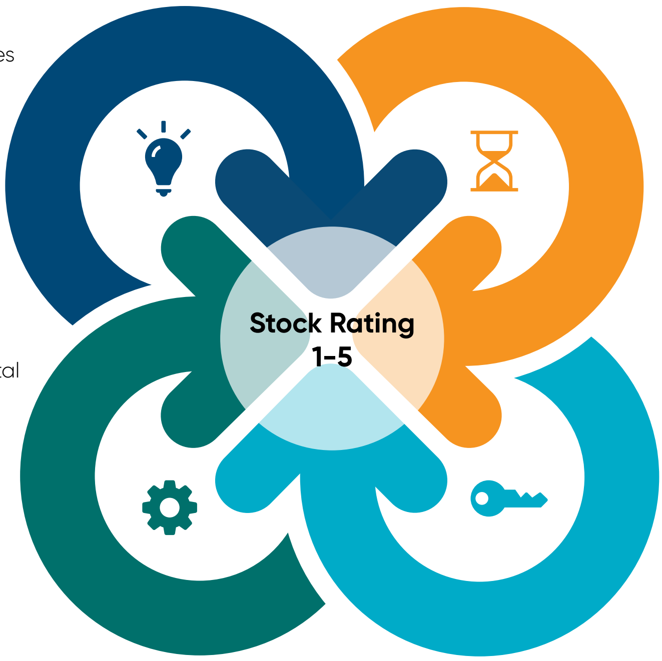
This involves assessment of the current return a company makes on investment – and likely change in this metric in future, particularly relative to market expectations. This involves a thorough evaluation of principles such as:

- Competitive advantage
- Industry structure
- Barriers to entry
- Consideration of the capital intensity of growth
- Potential for asset and operating cost leverage in the business

Valuation

Valued through one or a combination of

- Net Present Value of Cashflows having consideration for all cash outlays to sustain or grow the business
- Franking



Market Milestones

An assessment of how the share price will likely react to the next piece of news flow (most likely to be the next result).

Shareholder Stewardship

An assessment of whether a company's Senior Management and Board have, and are likely to continue to act, in the best interests an analysis of shareholders. This includes an analysis of

- Historical decision making
- Management and board effectiveness
- Remuneration structures
- Corporate governance
- Culture
- Financial controls
- Disciplines and focus

The same discipline embeds our assessment of ESG risks in our stock rating

Business Evaluation

- We consider the delta in Competitive advantage
- Industry structure
- Capacity intensity
- Regulatory changes

Market Milestones

Our expectations on

- Earnings certainty
- Outlook statements
- Valuation risk

Valuation

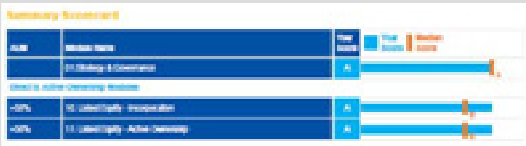
Valued through one or a combination of

- Net Present Value of Cashflows having consideration for all cash outlays to sustain or grow the business
- Franking

Shareholder Stewardship

- Remuneration
- Management and board effectiveness
- Corporate culture
- Sustainability
- Financial controls

PRI Principles for Responsible Investment



We are ready and willing to play an activist role as required and engage fully with management boards

2. ESG Factors

Greencape embeds ESG in their investment process rather than overlay an ESG process. The table below seeks to summarise the components of Greencape's investment process in which ESG factors are particularly relevant and are highlighted in red.

Fund characteristics

	Shareholder Stewardship	Business Evaluation	Valuation	Market Milestones
What we look for?	Remuneration Management & Board Corporate culture & Sustainability Financial controls	Current returns Delta in: • Competitive adv • Industry structure • Capital intensity • Regulatory changes • Asset & liability leverage	Our valuation vs current share price	Our expectations on: • Earnings certainty • Outlook statements • Valuation risk • Strategic milestone
How we act?	Score Activist shareholding	Score	Score	Score

Greencape constructs its portfolios from the bottom-up, based on detailed stock-level analysis. As such, Greencape does not generally consider the portfolio in terms of exposure to thematic or trends. That said, Greencape are conscious of aggregate exposures and biases in its portfolio and monitors these closely to ensure they remain acceptable and consistent with its bottom-up views.

Greencape has a particular focus on governance issues at the current point, including capital allocation policies and executive remuneration structures. Capital allocation decisions can, in Greencape's view, have a very material impact on the future performance of a stock, and Greencape is heavily focused on assessing company management's track record of allocation decisions, and strategy for the business going forward. Executive remuneration arrangements are also of importance, as they influence behaviour and culture. In general, Greencape advocates for structures that promote a focus on long-term shareholder value creation and have appropriate and quantifiable metrics in place to assess performance.

3. Special ESG considerations

3.1 How Greencape considers Climate Change risks and opportunities in its investments

Greencape subscribes to the scientific consensus that carbon dioxide in the atmosphere, predominantly as a result of human activity, has led to global warming with consequent changes in climate. There has been a global move to reduce carbon emissions worldwide. The Paris Agreement, ratified by 195 countries, outlines country-specific targets for reducing carbon emissions. Greencape believes that uncertainty surrounding both the physical changes in climate as well as the policy response around the transition to a low carbon economy can pose a risk to its investments across all industries to varying degrees. Equally, there will be companies that benefit from such a transition. As such, Greencape considers the physical and transition risks and opportunities of climate change as part of its fundamental analysis.

Physical risks can involve the increased frequency and severity of extreme weather events such as drought, flooding, hurricanes, heatwaves and rising sea levels. Transition risks include the risk of regulation around carbon emissions such as the introduction of a carbon tax, both within Australia and globally, which may affect demand for exports, the development of new technologies which are more aligned with a low carbon world as well as changing consumer preferences for low emission/energy efficient products.

Opportunities arise out of companies that develop technologies or solutions to deal with the physical aspects of climate change as well as those companies that are better prepared and less exposed to the negative effects of a transition to a low carbon economy. Greencape considers all investee companies through this lens in Greencape's fundamental analysis.

Greencape encourages the companies it invests in, or is considering for investment, to assess and disclose their exposure to climate-related financial risks, adopting where possible the framework set by the Taskforce for Climate-Related Financial Disclosures (TCFDs).

3.2 How Greencape considers modern slavery risks in its investments

Greencape recognises that modern slavery, as well as being a serious ethical concern, can also pose a financial risk to businesses both from both a reputational perspective and from a disruption to their supply chains. Greencape recognises that, although less common, there are still instances of modern slavery within Australia, particularly in high risk industries such as textiles, financial services (through their supply chains), mining, construction, property, food and beverages, agriculture, and healthcare.

When analysing companies in these higher risk industries Greencape will do additional due diligence to ensure the company has appropriate policies in place to manage these risks and treats its employees fairly. With companies that have supply chains in high risk regions overseas Greencape takes a similar approach, ensuring that the investee company has awareness of the risks of modern slavery within its supply chains and has policies in place to mitigate these risks.

3.3 How Greencape considers gender diversity in its investments

Research has shown that companies with higher gender diversity on their boards had higher financial performance and were associated with lower variability of stock market returns. Greencape believes that greater gender diversity (as well as other forms of diversity), reduces the risk of groupthink and leads to greater diversity of thought. This can reduce risks and boost performance in investee companies. As such Greencape considers the number of females on boards as part of its governance assessment. Through its engagement activity, Greencape also encourages its investee companies to improve the gender balance of their boards.

4. Responsibility for ESG integration

ESG integration is embedded in Greencape's investment process therefore every member of the investment team is responsible for ESG research and integration.

5. Greencape Capital Engagement and Stewardship Policy

Introduction and Scope

Greencape Capital is a trusted investment partner of its clients and takes pride in being an active steward of their capital, a quality regarded as central to its culture and its investment process.

Greencape recognises that as a steward and fiduciary, it has a duty to act responsibly and with reasonable skill, care and diligence, in pursuit of sustainable value for its clients.

Engagement is a core element to fulfilling Greencape's stewardship obligations and is a prerequisite for the construction of more effective active portfolios for its clients. Greencape is very selective about the frequency and intensity of its engagements with companies. It carefully selects the issues it regards as warranting strong engagement, so intense active engagement is quite rare. The provision of feedback to companies and its lodging of proxy votes is, however, regular.

Greencape believes that sustainable long-term success of companies is supported by effective investor stewardship and high standards of corporate governance.

Shareholder Stewardship, which is a core component of Greencape's stock selection approach, is an assessment of whether a company's Senior Management and Board have, and are likely to act, in the best interests of shareholders. This includes an analysis of historical decision making, management and board effectiveness, remuneration structures, corporate governance, culture, financial controls and disciplines and focus.

Furthermore, Greencape believes that companies are more likely to be successful in the long run where capital markets are stable with well-functioning and well governed social, economic and environmental systems. Greencape recognises the importance of Environmental, Social, and Governance (ESG) factors to the long-term health and stability of companies and therefore includes material ESG factors in its investment stewardship, engagement and proxy voting, activities. Greencape is committed to being transparent about how it conducts investment stewardship activities in support of long-term sustainable performance for its clients. Greencape acknowledges the development of Stewardship Codes around the world and recognises that several of its long-standing institutional clients subscribe the Australian Asset Owner Stewardship Code (Code) which aims to increase the transparency and accountability of stewardship activities in Australia.

Challenger Financial Group Limited, Greencape's minority equity partner is a member of the Financial Services Council which introduced its Internal Governance and Asset Stewardship code in January 2018. The code is a disclosure based standard requiring members to articulate and promote their approach to internal governance and asset stewardship. Whilst the boutique businesses in which Challenger has minority equity stakes are not required to adopt this code compulsorily, Greencape regards the requirements of the code as being well aligned with its own values.

Specifically, the code advocates that disclosure by asset managers of their approach to

1. monitoring of company performance on financial and non-financial matters;
2. engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;
3. approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement; proxy voting;
4. collaborative engagement with other investors including involvement with industry groups and associations;
5. principles used for policy advocacy including participation with industry groups and associations; and
6. the approach to client engagement, education and communication regarding asset stewardship.

Every member of Greencape's investment team participates in the assessment of each company's stewardship rating which translates directly into the ranking score Greencape ascribe to each company. This ranking score then influences the level of conviction and position sizing of each company in a client's portfolio.

Purpose

The purpose of the Engagement Policy is to set out the general framework for Greencape's engagement activities, with investee companies, and other stakeholders.

The policy will outline:

- The case for engagement
- Greencape's commitment to engagement
- Effective stewardship
- Purposeful engagement
- The engagement process
- Reporting
- Conflicts of interest

The case for engagement

Greencape is an active long-term investor, however where its strategies seek to profit from short term movements in assets Greencape is typically a short-term owner of assets and therefore will not seek to be engaged owners of these assets.

Engagement is fundamental to Greencape's active long-only investment processes and core to its stewardship activities. Greencape has an intensive company visitation program as a cornerstone of its research driven investment process which includes interaction with company boards and well and management, customers and competitors. However, effective stewardship goes beyond engagement, extending to informed active voting at shareholder meetings, the monitoring of issuers (and service providers), holding them to account on material issues, and being transparent in relation to these activities. Greencape has a responsibility to its clients to be concerned with sustainable, long-term value creation which in turn contributes to the long-term efficiency and effectiveness of the capital markets.

Greencape engages with issuers continually across a diverse range of issues including but not limited to material environmental, social and governance (ESG) factors, important strategic, economic, financial and operational aspects of business models, as well as considering the broad effectiveness of public policy.

The range of the issues that Greencape engages on including social and environmental impact, corporate governance, strategy and remuneration, amongst others, enables the investment team to make better informed investment decisions which Greencape believes contributes positively to the sustainability of investee companies and society.

When engaging with investee companies, where appropriate, Greencape will engage with various stakeholders including, investee companies' competitors and suppliers, customers, regulators, employees and middle management in addition to executive and non-executive board members. Greencape's engagement activity builds its understanding of the economic, environmental, societal and industry specific systems and ensures that the investment team gains a wider contextual view of the various factors that impact the stability and health of an investee company.

These conversations develop Greencape's understanding and appreciation of the evolving values and expectations of society, and improve its insight into investee companies, their governance structures, financial position, operational performance and future prospects. Equally it allows Greencape to share its philosophy and approach with companies to enhance their understanding of Greencape's objectives and expectations.

Greencape's investment teams will generally consider the materiality of an issue before deciding whether or not to engage. By applying a materiality standard, Greencape prioritises its engagements, focusing on those issues that are most impactful on the investment case. This is a major driver of the investment team's understanding of the risk and reward profile of a particular business.

Greencape has a range of engagement approaches, dependent on the nature of the issue, the company, market, and investment team. Whilst there are no formulaic rules which set-out how the investment team engages, Greencape's dominant strategy focuses on developing one-to-one dialogue with targeted investee companies and is conducted on an on-going basis. Greencape will typically meet with or interact with an investee (or potential investee) company at least once a year but often more frequently. Greencape's aim for these dialogues is for all engagement to be pragmatic, positive and effective. Greencape would not, as a rule, engage with a company where it does not have clear objectives; this approach ensures that its engagement is focused and relevant.

Another potentially effective engagement strategy involves collaboration with other investment management firms. This is primarily undertaken through reaching out to likeminded investors but may be through a collaborative engagement portal, for example the Principles for Responsible Investment (PRI). Whenever Greencape engages collaboratively, it ensures it is appropriate, such that its interests are aligned, and that the engagement serves the interests of its clients. Collaboration is an important tool and can be an effective catalyst for enhancing outcomes for companies and stakeholders. Greencape is not opposed to utilising the media in some circumstances where considered advantageous.

Greencape's commitment to engagement

Active asset management is synonymous with stewardship, i.e. voting and engagement is fundamental for Greencape, as an investor, to gain a deeper understanding of the material issues faced by investee companies. Equally, engagement allows investee companies to gain insight into Greencape's investment philosophy, goals, expectations and objectives.

Engagement, therefore, is a two-way process of continual communication, fostering improved understanding of organisational governance, strategy and operations, including strategic and operational outcomes.

From the point of view of the investee company, engagement with their equity and debt owners is integral to their continued success and sustainability. On that basis, when Greencape engages:

- It is with a clear purpose and defined outcomes
- Greencape is transparent about its objectives, expectations and timeframes for action
- Greencape engages only on material factors, which may include ESG factors
- It is with a flexible, open-minded and responsive mind set
- It is to add value to stakeholders and the business

By focusing on quality communication, Greencape believes that engagement can deliver:

- More equitable and sustainable social development, as it broadens the purview of the company and investors
- Improved quality in management and reporting of material issues
- Better management of operational and reputational risks
- Collective solutions to material issues
- Improved understanding of complex operating environments and systems, including market developments and cultural dynamics
- Learning and development opportunities improving business processes and increasing innovation
- Enhanced investment decisions by investors and also better capital allocation decisions by companies
- Increased trust between investors, investee companies and other stakeholders

Effective stewardship

The FSC Stewardship Code recognises that asset managers are in a key position, as they undertake their role as custodians of significant amounts of capital on behalf of their clients, to ensure that responsible management and robust corporate governance practices form the basis of both their internal and external stakeholder interactions. Greencape extends this concept and fully integrates its assessment of management's effectiveness as stewards of shareholder capital to its portfolio construction approach.

Effective stewardship at the company level is encouraged by institutional shareholders taking their responsibilities seriously and discharging their duties in the best interests of stakeholders. It includes activities such as voting (see below), as well as monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

Voting rights can be a powerful tool for shareholders to hold the company to account and is a major component of Greencape's engagement strategy. Greencape regards the ability to influence company decisions through voting a fundamental shareholder right and a means to exercise stewardship. Greencape exercises its rights in the same way as it does its fiduciary duty to act with reasonable care, skill and diligence, i.e. being aware of the material factors impacting a company and making informed decisions that are appropriate for the sustainability of the company and in its clients' best interests.

However effective stewardship extends beyond the exercise of voting rights, entailing also the close monitoring of, and engagement with Boards and management across various topics, including thematic issues across issuers such as climate change, or on specific, targeted matters relevant to a particular issuer.

Engagement may focus on matters such as: capital structure, strategy and operations, financial performance, and risks & opportunities; and can result in the altering of the investment thesis, in either positive or negative ways. In this sense Greencape sees engagement as having a significant impact on its conviction, in some cases engagement may lead to the exiting an investment.

Successful engagement, in Greencape's view, depends on properly defining the purpose, scope, and materiality. Materiality in particular is important in helping determine the most relevant risks and opportunities that need to be addressed for specific investment exposures.

Materiality is broadly defined as the ability to influence the decisions, actions or behaviours of the organisation such that it affects the financial condition, operational performance or future prospects of the organisation.

By applying a materiality standard, Greencape prioritise and focus on those issues that impact companies the most.

Purposeful engagement

The purpose of Greencape's engagement is generally connected to improving:

- Governance
- Management and strategy
- Incentive structures
- Capital allocation
- Corporate culture
- Interaction with society
- Ecological efficiency
- General alignment with long-term shareholder interests

By defining purpose, Greencape strengthens its ability to measure the impact of its engagement activities. Whilst the scope of Greencape's engagement activity generally refers to:

- The subject matter of the engagement
- The parts of the organisation (regions, divisions, etc.) and associated activities, products and services being addressed
- The time frame for the engagement

The engagement process

Greencape's engagement activity can generally be categorised into four stages:

Plan – planning is generally made up of: i) Profiling and identifying key stakeholders, ii) Determining the strategy, iii) Establishing boundaries for disclosure, iv) Drafting the engagement plan, and v) Establishing indicators and outputs to help determine success.

Prepare – some engagement activity may require additional resources, for example outside expertise, whilst other engagement activity may require a period of capacity building, for example building understanding, awareness and additional knowledge of a particular issue. Engagement is not without its risks, for example risks associated with compliance, operations, disclosure and strategy, amongst others. Being properly prepared for these risks contributes to a robust process and better outcomes.

Implement – this stage includes bringing potential parties together, setting out the details, initiating conversation, documenting and communicating outcomes and action plans.

Engagement activities are the responsibility of each member of the investment team.

Greencape has, in the past, been involved in collaborative engagement activities with other asset management firms, non-governmental organisations (NGOs), industry bodies and other relevant institutions and organisations where it regards the collaboration will improve outcomes for its clients.

Reporting

Greencape reports its engagement activity to clients as requested.

In coming to its voting decisions Greencape subscribes to a number of proxy adviser services and will utilise these as an input to its own decision. Greencape's annual report will include information on the use of the services of this proxy advisor.

Where Greencape take a view on a resolution that is contrary to the advice of the proxy adviser it will document its rationale and decision-making process for internal purposes. Greencape will communicate this to clients upon request.

Conflicts of interest

In accordance with regulatory requirements, Greencape maintains a detailed conflicts of interest policies designed to ensure that any conflicts of interest that may arise both between itself and its clients, a staff member and a client and between clients – are identified and prevented or managed in the best interests of clients.

Greencape is able to provide details of its policy to clients upon request.

Where Greencape's Compliance Manager decides that Greencape's clients' interests are best served by managing the conflict, Greencape will make a disclosure to any impacted client or clients. Disclosure should ideally take place prior to us accepting any engagement to act for that client, or prior to providing that particular client with the work requested. Where prior disclosure is not possible, Greencape must disclose such conflict as soon as reasonably practicable.

Greencape team members are required to complete annual conflicts of interest training to ensure they have the appropriate understanding to identify and report conflicts of interest – which can then be prevented or managed pursuant to its conflicts of interest framework.

Personal activities of employees (such as personal investments and outside business activities) are required to be disclosed to Greencape's Compliance function, to ensure that any conflicts of interest that may arise as a result of such activities are prevented or appropriately managed. Conflicts of interest may arise due to Greencape's investment in a specific security and stewardship responsibilities. In such circumstances, Greencape's relevant investment professionals are required to identify and report these conflicts for review in accordance with Greencape's Conflicts of interest policies.